

REVIEW AND REPORT ON OTHER DONOR APPROACHES TO THE SCALING-UP OF AID

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Summary

Study to examine how donors have positioned themselves to manage ‘scaling up’ and identify lessons for the Australian context. The study looked at the experiences of: United Kingdom through the Department for International Development (DFID); United States of America through USAID; Canada through the Canadian International Development Agency (CIDA); Germany, through BMZ and its other implementing agencies (GTZ, KfW etc); European Union, through the European Commission; and Spain, through AECI.

The views contained in the paper are those of the author and are not indicative of the views of the Australian Government or the Review Panel.

Summary of Donor Experience Recommendations for Australia's future development cooperation assistance

Six donors were examined: US (USAID); UK (DFID); Spain (AECI); European Union (European Commission); Germany (BMZ); Canada (CIDA). In examining the experience of these donors with scaling-up eight key areas are listed for consideration by AusAID to achieve greater efficiency and effectiveness. Issues are not listed in any specific order. In many instances recommendations build on areas where AusAID has already undertaken significant reforms. Issues for consideration include:

- (i) Policy coherence – moving beyond whole of government engagement to whole of government policy coherence;
- (ii) Narrowing of geographic, sectoral and thematic focus;
- (iii) Increasing specialisation;
- (iv) Increasing emphasis and funding of independent evaluation;
- (v) Increasing the use of programme based and innovative approaches;
- (vi) Increasing the proportion of aid channelled through multilateral organisations;
- (vii) Increasing the pace and range of agency reform to include: value for money considerations; selectivity; recruitment and development of in-house expertise; and improving policies and practices.
- (viii) Increasing public support for development.

Each of these issues is examined below with relevant examples from donors. Further information on each donor can be found in Section 2 – donor overviews and recommendations and Section 3 – detailed donor information. It should be noted that each donor, except Spain, was approached to provide further information. If a response was provided details have been included in Section 3.

Policy coherence

A large number of the donors examined are moving beyond the concept of whole of government engagement to expand this to cover whole of government policy coherence. Development assistance is increasingly being seen as not just an instrument of government activity but an integral part of government policy. There is an increasing effort to deepen a shared understanding of development principles and objectives across government and with partner countries.

- USAID has noted that development is as critical to US economic prospects and national security as diplomacy and defence and has laid out its thinking in four key policy statements.
- DFID is recognised as an international leader in development and has a solid legal basis through the International Development Act 2002. They also work within the International Development (Reporting and Transparency) Act 2006. The Development Act helps ensure that potentially competing objectives (foreign policy, trade, climate change and national security) do not overwhelm development objectives. DFID continues to strengthen whole of government approaches with the use of Public Service Agreements (PSAs).
- Spain has included policy coherence for development in its legal and planning framework. The framework also recognises all development players including

all levels of government. Development issues have been taken into account in development of broader government issues such as migration. Development of Spanish policies in the areas of migration, co-development and remittances will be of interest to Australia.

- The EC is promoting policy coherence for development across twelve priority areas. Development is seen as an instrument of foreign policy and as a result development institutions now work in more complex and political environments. Preparation of two green papers, one on development policy for inclusive growth and one on budget support, will assist in determining EC aid priorities for 2014 – 2020.
- Germany has been commended by the DAC for its strong inter-ministerial and international leadership on environment and climate change issues. This can be seen in the close partnership between BMZ and the ministry responsible for the environment.

AusAID could build on its very strong whole of government work and seek to make explicit reference to development as a central pillar of government policy. AusAID should ensure that development objectives and principles are included in other ministries policies. Following the examples of the UK and Spain development assistance could be given a stronger legal foundation.

Narrowing of Geographic, Sectoral and Thematic Focus

Donors continue to attempt to tighten focus on priority countries and sectors to ensure that they work in areas of comparative advantage and complement actions of other donors.

- The US is now looking to be more selective about where and in which sectors it works.
- DFID has taken further steps to narrow the geographic spread of its bilateral programme. Approximately 90% of its bilateral program is now focused in 23 countries.
- Spain has been commended by the DAC for its strong engagement in Latin America and sub-Saharan Africa. It has impressive field experience in governance, accountability and anti-corruption.
- While the EU has the largest geographic spread of any DAC member work is underway to tighten sectoral focus and to work in areas of member state comparative advantage.
- Germany has narrowed its geographic focus to 57 partner countries (down from 84 five years ago). The target is to further reduce to 50. Germany has also narrowed its sectoral focus and now concentrates on 6 priority sectors in total. In each partner country it works in only three of these sectors at most.
- CIDA's 2006 aid effectiveness agenda includes improving strategic focus with: a greater country concentration; allocations linked to performance on democratic governance; and fewer sectoral priorities, aligned with MDGs (maximum of three sectors per country, with democratic governance mandatory in all major programmes).

AusAID should consider narrowing its thematic and geographic base to focus and deepen investments in areas of core strength.

Increasing specialisation

The Accra Agenda calls for reducing costly fragmentation of aid. It encourages the building of partnerships with other donors with effective division of labour to avoid duplication and to decrease transaction costs. Donors are making clearer and more rigorous assessments of areas of geographic, sectoral and thematic comparative advantage. They are using delegated cooperation in areas where their comparative advantage is seen as low or developing.

- USAID is seen as the lead agency within the US Government for the President's Initiatives on food security and health. The US is seeking a deliberate division of labour between key donors.
- DFID is recognised as a leader in development assistance, both in setting policy and practice. DFID has increased its engagement with fragile states with a focus on peace and state building.
- Spain's sophisticated understanding of the Latin America region should be used as a model for assistance and as a basis for delegated cooperation.
- The EC has strong political support for democratic governance, infrastructure, electricity and agriculture. The EU views complementarity and division of labour as key organisational concepts. Several key policy and tools have been developed to encourage specialisation. Policies are outlined in 'Code of Conduct' and 'Division of Labour'.
- Germany is noted for its work on climate change and the environment. It provides a high proportion of its aid as technical cooperation (TC). Germany is improving its coordination of TC activities with other donors, including use of technical assistance pools.
- Canada has taken an international leadership role on working with civil society and on gender equality and women's empowerment issues. CIDA has begun working with other donors on joint country and sector analysis, programming and evaluations. CIDA is also testing in the field the delegating of aid management to other donors and making better use of existing local harmonisation plans.

AusAID should extend existing formal partnership arrangements to include specific delegated cooperation arrangements to make more use of other donor's capacities and existing mechanisms for harmonised and aligned assistance. In countries/sectors of high interest or comparative advantage to Australia cooperation should cover collaboration on strategies, analysis, evaluations and programming.

Independent Evaluation

Agencies are deepening their focus on effectiveness and evaluation. The emphasis has shifted to real time and prospective evaluations and evaluating existing interventions rather than waiting until programmes have been completed. There has also been a shift to establishing independent evaluation offices.

- The US will provide a more substantial investment of resources in monitoring and evaluation, including performance evaluation by independent third parties. Data will be published on the *foreignassistance.gov* data dashboard.
- Demonstrating the UK's strong emphasis on evaluation was the creation of the Independent Advisory Committee on Development Impact (IACDI) in May

2007. This both strengthened decentralised evaluation and increased resources available for evaluation. DFID also has committed to establishing a public database of all projects and programs, including latest performance ratings.

- The German government will undertake organisational and structural reforms with a view to increasing the effectiveness of German development policy. An independent evaluation agency or institute is planned for 2011 to improve the visible independence and legitimacy of evaluations.
- The EU green paper on development policy addresses the issues of putting 'high impact' cooperation into practice and notes that increased efforts will be required to strengthen monitoring and evaluation systems in both the EU and its partner countries.
- CIDA is putting in place a comprehensive aid effectiveness program. In April 2007 it was announced that the government would strengthen the evaluation function and would make it independent from operations.

AusAID should continue to strengthen monitoring and evaluation and consider the establishment of an independent evaluation agency. A closer dialogue is required between other donors and multilaterals in this fast evolving area. Recruitment of specialised expertise should also be considered.

Innovative programming approaches

An increasing volume of aid funds to meet specific ODA/GNI targets has necessitated an increasing use of innovative programming approaches by donors. Approaches include scientific innovation, use of budget support (both general and sector specific), public/private sector partnerships, partnerships with civil society and development finance institutions/development credit authorities.

- The US is looking to increase investment in developing innovation, for example vaccines, weather resistant seeds and clean energy technologies. The US is looking to leverage private sector, philanthropic and non-government organisations funds, for example the Development Innovation Fund. It is using existing technologies in innovative ways, for example mobile phone technology to improve open government. USAID uses the Development Credit Authority to develop partnerships to enable private sector investment;
- The UK is known as a leader in the areas of aid effectiveness, engagement in fragile states, humanitarian action and reform of the international system. DFID has substantial experience in the use of budget support and management of the CDC, a development finance institution;
- A key feature of the Spanish development cooperation is the high share of aid provided by Spain's autonomous communities and local administrations. Lessons learnt could be useful with Australia's interactions with state and local government. Spain is reforming its Development Assistance Fund (development assistance loans).
- The EC has a comparative advantage in using budget support and policy dialogue required given the size of its aid program and weight in negotiations. A Green Paper on 'The Future of EU Budget Support to third countries' was adopted by the Commission on 19 October 2010 to look at ways to improve the use of budget support. The EU is looking at innovative financing arrangements, combining development and climate change funding and leveraged loans from Development Financial Institutions.

- Germany is using revenue from innovative financing, especially emission trading, which will provide additional financing resources in the coming years. Germany has an evolving cooperation with ‘anchor countries’ (emerging economies) focusing on regional strategies and global public goods. This innovative approach combines foreign policy concepts and objectives with development cooperation goals to tackle global threats and challenges. Germany is also using budget support in innovative ways often blending concessional and non-concessional finance and technical cooperation with financial cooperation.
- Canada has a strong focus on civil society and CIDA has engaged in “partnership renewal” involving CSOs and private sector organisations. This has been accompanied by high-level engagement. Canada has opened its market to duty-free and quota-free imports of most goods and services from poor countries and passed legislation to make generic HIV/AIDS drugs and other medicines more accessible. CIDA is implementing new funding modalities to strengthen the multilateral humanitarian system. The International Development Research Centre (IDRC) has developed a unique approach to building research capacity in developing countries.

AusAID should continue to build on its use of innovative programming approaches. This could include increasing the use of budget support (general and sectoral) and innovative financing, including the consideration of a development finance institution. AusAID should consider broadening the range of players engaged with developing aid policy and delivering the aid programme. This could include increasing the involvement of civil society, research community, the private sector and state and local government.

Multilateral Organisations

There has been an increasing use of multilateral organisations to enable the efficient programming of increasing aid funds. This has allowed entry into geographic and thematic areas where donors may have limited expertise or presence.

- The US is planning to redouble efforts to support, reform and modernise multilateral development organisations. They are also seeking to create new opportunities for regional cooperation, following the example and success of the G20.
- DFID recently finalised a review of 43 multilateral organisations. Review findings will guide UK core contributions over the next two years. The UK plans to increase its use of multilateral channels for aid delivery. The outcome of the review will be of direct interest to AusAID.
- Spain has funded multilaterals as a means to meet programming targets while building its internal capacity. Spain is becoming a more active and strategic contributor to the multilateral system with multilateral aid rising sharply. The EU accounts for much of Spain’s multilateral aid.
- BMZ is currently re-writing its multilateral policy that will be finalised in October 2011, however the proportion of funds to multilaterals will remain unchanged. The review and the revised policy will be of interest to AusAID and its consideration of future funding levels to multilateral organisations.

- Canada is at the forefront of implementing funding modalities to strengthen the humanitarian system. Support to UN organisations has gone up significantly from USD120 million in 2000 to USD271 million in 2005.

AusAID should consider increasing funds to key multilateral organisations to channel funds to specified countries and regions (i.e. Africa/Latin America) while building up capacity and experience for bilateral engagement at an increasing scale. Australia could also use trust funds with specific UN agencies to encourage reform of the UN system.

Agency Reform

All agencies examined have either increased or had made a commitment to increase their financial contributions while also emphasising their commitment to poverty alleviation and strengthening the systems that deliver, monitor results and impact.

Many agencies are undertaking large scale administrative reforms (DFID, USAID, EU and BMZ) to achieve these goals. The US has stated that it wants to rebuild USAID as the lead donor agency. DFID is already accepted as a leader in the area of development cooperation. Planning for growth and improving quality are the greatest challenges to Spain's development cooperation program. The reform of AECI is of prime importance to enable it to deliver Spain's commitments in an effective way. Germany has embarked on a major institutional reform process to merge three technical cooperation agencies, strengthen BMZ and improve ministerial coordination. The EC has carried out significant internal reforms including addressing principles of engagement, delivery and policy to include objective criteria for resource allocation, improvements in managing harmonisation with external donors, headquarters reorganisation, devolution of authority to the field, streamlining of internal procedures, reinforcement of quality control and better use of results. CIDA's 2006 aid effectiveness agenda included a focus on use of agency resources seeking to: lower overhead costs; untie aid; strengthen field presence; and align skills with changing needs. CIDA is also looking to improve its work on accountability for results by: enhanced performance measurement frameworks aligning resources with results; and expanding Canada's suite of development reports.

Of particular interest to AusAID are donor efforts in the areas of: value for money; selectivity; further devolution to field and recruitment and development of in-house expertise.

- (a) *Value for money.* The US Quadrennial Diplomacy and Development Review (QDDR) emphasises aligning priorities and resources to produce results. DFID is pioneering a rigorous value-for-money approach.
- (b) *Selectivity.* Many donors are also looking to strengthen linkages with other key donors through consultation, joint missions and staff exchanges. Donors are looking to new partnerships that will leverage expertise and resources of others.
- (c) *Increasing devolution to field.* Agencies are continuing to devolve resources and decision making, financial and contracting, to the field. DFID's ability to implement its aid effectiveness commitments and respond quickly and flexibly to partner government's needs is supported by its decentralised model. The substantive devolution of management responsibility away from Brussels to

the EC's 81 field delegations has been a key component of its reform process. Spain is rapidly increasing the numbers of personnel overseas responding to the need to increase aid volume and improve aid quality.

- (d) *Recruitment and developing in-house expertise.* While pursuing administrative efficiencies agencies are also seeking to increase staff numbers, particularly looking for specific technical and thematic expertise. USAID is looking to create a new Senior Technical Group Career Track and a Development Leadership Initiative. The US Civilian Reserve Corp will be replaced by an Expert Corps. DFID has increased funding to recruit specialist evaluation staff to work in-country and is developing a new cadre of evaluation specialists.
- (e) *Processes* – all agencies are undertaking wide ranging reviews of internal systems and processes. DFID is seen as a leader in this area.

AusAID should continue its range and pace of agency reform to cover these key areas.

Public awareness and communication

Increasing aid volumes requires a strong constituency supportive of development assistance. However, improving public awareness and understanding of the aid program is considered a complicated area of focus and one where achieving results is very difficult.

- DFID encouraged the use of professional media expertise and celebrities, using human interest stories backed by firm statistics as the most effective use of funds.
- Spain has developed a broad education policy that covers primary to tertiary education that is implemented by its autonomous communities and local administrations.
- BMZ is using an innovative youth voluntary program that aims to achieve added developmental value for the partner projects in terms of self help and to spark new interest in development issues in Germany.

AusAID should consider the experiences of the UK, Spain and Germany in looking at approaches to increase public awareness and communication.